



**DEWEY SQUARE GROUP**

**INDEPENDENT BUDGET ANALYST REPORT  
EXECUTIVE SUMMARY  
SAN DIEGO CITY COUNCIL  
COUNCIL-MAYOR GOVERNMENT TRANSITION PROCESS  
APRIL 5, 2005**

## **CHARTER SECTION 270 (F)**

*"The Council shall have the right to establish an Office of Independent Budget Analyst to be managed and controlled by the Independent Budget Analyst. The Council shall appoint this independent officer who shall serve at the pleasure of the Council and may be removed from Office by the Council at any time. The Council shall determine the powers of this Office and its manager by ordinance."*

### **RECOMMENDATIONS**

DSG has outlined the main decisions the Council must make to establish a well thought out IBA office. The decisions have been laid out in consequential order.

#### **1. IBA responsibilities (scope of work)**

The primary functions of many IBA offices are to; review and comment on the annual budget, analyze and report on all fiscal matters in legislation and perform audits.

DSG recommends that San Diego's IBA office review and comment on the annual budget and analyze and report on all fiscal matters in legislation, but not be tasked with performing audits, at least in its inaugural year. The additional costs associated with auditing duties are prohibitive. From the cities that were analyzed, an office capable of performing audits would need a minimum of 15 analysts and a \$1.2 million budget. Further, the city of San Diego has an auditing department housed within the executive branch. Of the six cities that we analyzed, three IBA offices performed auditing services. Two of these cities (Jacksonville and Kansas City) did not have executive branch auditors because this would duplicate work. If San Diego opts to have the IBA perform audits, DSG would recommend further restructuring of the city government.

#### **2. Staff size**

The IBA's staff size is relative to the scope of work tasked by the Council. In addition to the primary responsibilities, outlined above, consideration should be paid to the learning curve that will take place as the office establishes itself in 2006.

DSG recommends the Council create one Office of Analysis with fiscal and policy wings. Of the cities we analyzed, Los Angeles' Chief Legislative Analyst's office comes closest to this structure. However, we draw on the experiences of other cities to recommend modifications. The Senior Analyst to this office would have a policy background with an economic focus, and would be responsible for incorporating both the fiscal and policy analyses for report to the Council. In the fiscal wing, DSG recommends a Deputy Fiscal Analyst (with a strong economics/budgeting background) and three junior analysts. While it is important to conduct a search for the senior level positions, outside of current City staff, DSG recommends considering shifting some current staff to Office of Analysis. In the policy wing, DSG recommends a Deputy Policy Analyst (with a strong policy background, possibly an attorney) and three junior analysts. There should also be a small support staff.

DSG recommends the Council consider Detroit's staff structure to determine staff size. Detroit has three staff analysts but has hired a fourth analyst through contracting because they needed additional manpower. San Diego is larger and presumably has more work for the Council and analysts. A rough estimate of this is provided by the number of ordinances passed in a given year. Detroit passes about 40 ordinances a year; San Diego passed 133 last year. This staffing recommendation is based on our previous recommendation that the IBA review the annual budget and legislation, but not perform audits.

### 3. Staff qualifications

IBA staff usually has at least four-year college degrees, and often advanced degrees. Senior IBA Analysts are CPAs and/or have advanced degrees in accounting, business administration, finance or economics.

DSG recommends that all analysts have a minimum of a four-year college degree, with a CPA (or equivalent) as the Deputy Fiscal Analyst. The Senior Analyst should have the power to staff his/her office, e.g. make hiring recommendations or decisions.

### 4. Reporting structure to Council

There is a general conscientiousness that develops over time between requests made of the IBA and the turn-around time on reports. "Requestors" of the IBA may include:

- Presiding Officer
- Whole Council- by majority vote
- Committee Chairs
- Committee
- Individual members

DSG recommends that requests to the IBA be made by, and in this order of priority:

- Whole Council-by majority vote
- Council President
- Committee Chairs
- Individual members

DSG also recommends that the Council consider only allowing the Council as a whole or the Council President to request extensive reports, and consider if members may request evaluation of legislation that has not yet been introduced. We believe that they should if the structure that we have recommended is adopted by the Council. Disputes should be resolved by the Council President.

### 5. In-house versus contract

In-house and contracted IBA offices perform similar tasks on behalf of City Councils. No one option is less or more expensive than the other.

DSG recommends establishing the IBA office in-house because of the high importance of working closely with Council members and anticipating Council member needs, especially during the early years of the transition. A decision to change to a contract could always be made later.

#### 6. Office location

The physical location of the IBA office will determine its interaction and relationship with the City Council. The desire of the IBA and City Council to be in close proximity must be balanced with the ability of the IBA to be truly independent.

DSG recommends that the IBA office be in the same building as the City Council.

#### 7. Schedule

There is a short period of time to complete the necessary steps in establishing an IBA office.

DSG recommends that the City Council review and discuss the information outlined in this report and the legislative analyst report. Upon review of these reports, DSG recommends the City Council institute a schedule to create the IBA office prior to January 1, 2006. The schedule should include the following:

- Revise standing rules of order and enact city ordinances defining the goals, responsibilities, and organization of the IBA office;
- Consider creating a "hiring committee";
- Write and distribute job description;
- Conduct candidate interviews for the senior position;
- Conduct candidate interviews for junior positions; and
- Identify and open office space

### **PURPOSE AND SCOPE OF WORK**

The purpose of the Independent Budget Analyst (IBA) report is to bring forward thoughtful recommendations to the City Council regarding the creation of the Office of Independent Budget Analyst (IBA).

### **METHODOLOGY**

The Dewey Square Group (DSG) researched the government structures of the ten largest cities in the United States, identified U.S. cities with independent budget analysts and used the following additional city criteria to determine selected cities for evaluation:

- Population and economic diversity comparable to San Diego;
- Budget analyst options that ranged in structure and price; and
- Institutional settings that reflected San Diego's new charter

### **RESULTS**

There are general strengths and weaknesses of the IBA structures reviewed in this report. They include:

General strengths of IBA structures include:

- Provision of independent analysis;
- Improve efficiency and effectiveness of municipal policy;
- Offer city-wide analysis and goals for a district elected Council;

- Serve as an institutional memory for fiscal and policy expertise;
- All state legislatures as well as Congress have Independent Budget Analysts; and
- Counterweight to Executive budget offices

General weaknesses of IBA structures include:

- Extensive additional staffing costs;
- Other large cities operate with an even stronger mayor system without an IBA; and
- San Diego's Council members must be responsive to their districts. An effective IBA will focus on the city as a whole

In addition, there are specific strengths and weaknesses of each city's IBA structure reviewed in this report. They include:

#### Detroit

The Detroit City Council's version of an IBA is called the Fiscal Analysis Division (FAD). The FAD provides independent fiscal evaluation solely and at the discretion of the Council. The City Council appoints a head Fiscal Analyst who then reports to the entire Council, including individual members. The FAD provides ongoing budget analysis and reports on all fiscal matters in legislation referred to Council.

The strengths of this IBA structure include:

- With four full-time employees and one full-time consultant, Detroit's IBA has a small and streamlined staff. This results in a staff having intimate knowledge of the budget and fiscal legislation as well as a close working relationship with individual council members and their staffs; and
- All of Detroit's IBA staff is very experienced in city budget matters and the local politics that affect their scope of work

The weaknesses of this IBA structure include:

- The fact that the Fiscal Analysis Division reports to and can be given assignments by all individual Council members means that the staff often has a heavy, scattered and politically-motivated workload; and
- The need for the Chief Fiscal Analyst and/or staff to attend all daily Council meetings takes up a great deal of the staff's time, time that is taken away from actually doing budget analysis and review

#### Indianapolis

Indianapolis contracts out the responsibilities of the IBA to a local financial consultant. The contract is not to exceed \$80,000 annually. The position is hired by the partisan majority of the Council; it is supervised by the President of the Council and can take direction from Council committee chairs in addition to the Council President. The IBA provides ongoing budget analysis, but not day-to-day and analyzes and reports on all fiscal matters by request.

The strengths of this IBA structure include:

- The Council is not responsible for staffing requirements; and

- This structure represents the smallest annual fiscal impact of all the jurisdictions we reviewed

The weaknesses of this IBA structure include:

- Not all legislation is uniformly reviewed for fiscal impact, only the ones Councilors make specific requests for and budget considerations (hourly billing) can stand in the way of those requests; and
- Since it is hired by the partisan majority, the office is left open to charges of partisan influence

### Jacksonville

Jacksonville's version of an IBA is called the Council Auditor's Office. The Council Auditor is appointed by a majority vote of the City Council. All of the employees in the auditor's office are appointees who serve at the discretion of the Council. There are no fixed terms. Removal of appointed positions is done by a majority vote of the City Council. The responsibilities of the Council Auditor are to provide ongoing budget analysis, report on all fiscal matters in legislation referred to Council and perform audits.

The strengths of this IBA structure include:

- The performance of internal audits of the fiscal operations of the consolidated city-county government and all independent agencies; this requires cooperation from the executive and a culture of deference to the legislative branch; and
- Its physical proximity to the Council. One councilor told us of the IBA and the legislative analysts: "Location is important. Make the staff feel part of the legislative branch, not the step children stashed in a basement of another building. Make them feel part of the process." Jacksonville's IBA is located in the same complex as the Council

The weakness of this IBA structure includes:

- A high price-tag. Because of the audit functions, the IBA staff must have significantly more employees than jurisdictions. In general, the existence of a thorough auditing function is the factor that drives up the cost of an IBA

### Kansas City

Kansas City's version of an IBA is the City Auditor's Office. The City Auditor is appointed by the City Council and has no fixed term of office. Statutorily, the City Auditor's Office is supervised by the Budget and Audit Committee, distributing memoranda to the Mayor, City Council, management staff and the city attorney. The responsibilities of the City Auditor include providing ongoing budget analysis, management audits and, by request, reporting on all fiscal matters referred to Council.

The strengths of this IBA structure include:

- The performance of internal audits of the fiscal operations of the consolidated city county government and all independent agencies; and
- A very strong personality as the IBA; his track record, long tenure and strong personality give him credibility to be critical the Council and thus, secure the office's reputation of independence

The weaknesses of this IBA structure include:

- The CAO is technically independent of the City Manager, but department directors can request assistance from the City Auditor's Office. In San Diego's structure, this office should solely be an agent of the City Council; and
- Because of the audit functions, the IBA staff must maintain higher staffing and a higher payroll than other jurisdictions

#### Los Angeles

Los Angeles' IBA responsibilities are handled by the Chief Legislative Analyst (CLA). This office provides independent policy and budget evaluation solely and at the discretion of the Council. The CLA, who is appointed by and serves at the pleasure of the Council, reports to the entire Council as well as individual members and committees. The CLA provides ongoing budget analysis and reports on all legislation referred to the Council.

The strengths of this IBA structure include:

- The CLA, with about twenty-five analysts, is adequately staffed to perform detailed and comprehensive budget and legislative analysis for the Council;
- The CLA's broad range of responsibilities, including preparing briefing notes and analyses on issues before Council committee hearings; staffing the Council desk when the Council meets; assisting the clerk and City Attorney to ensure that meetings are running smoothly; and having a CLA staff analyst assigned to each Council committee ensures that the interests of the Council as a whole are being considered; and
- The CLA is well-respected with a diverse staff of analysts and professionals, the majority of which have advanced degrees

The weaknesses of this IBA structure include:

- Even though the CLA is considered an arm of the Council, individual Council members still dedicate at least one of their individual staff members to do budget analysis. The Council is in essence paying for similar work to be done by two offices; and
- With about forty staff members (twenty-five analysts and fifteen other administrative staff), the CLA's office takes up a relatively significant portion of the Council's budget

#### San Francisco

San Francisco contracts out the IBA responsibilities to Harvey Rose Accounting Firm (in a joint venture partnership with a number of firms pursuant to the Minority/Women/Local Business Enterprise Ordinance). This contract relationship evolved after Harvey Rose left a staff position with the city (performing the budget analyst duties) and opened his own CPA firm in 1975 to service San Francisco. The IBA reviews the City's annual budget, analyzes and reports on all fiscal matters in legislation referred to the Board and management audit services.

The strengths of this IBA structure include:

- The Board of Supervisors is not responsible for staffing requirements; and
- Long-standing relationship between Harvey Rose and Board that provides for intimate knowledge of Board needs and processes

The weaknesses of this IBA structure include:

- Harvey Rose & Associates has other clients in addition to the City of San Francisco, including other cities;
- There is no formal or annual RFP process to deliver the business to Harvey Rose & Associates; and
- It is the most expensive operation reviewed

#### **CONCLUSION**

There is no one portfolio city structure that will suit all of San Diego's needs in establishing the IBA office. In deciding the best structure for San Diego, DSG suggests that special attention be paid to the following:

- Budget implications;
- Comprehensive timeline to hire and prepare analyst/office; and
- A step by step approach to decisions

#### **SUPPORTIVE INFORMATION**

The following report provides supportive information to what has been highlighted above.





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SAN DIEGO CITY COUNCIL  
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APRIL 5, 2005**

## INTRODUCTION

Thank you for the opportunity to submit the Dewey Square Group's (DSG) report on the Independent Budget Analyst (IBA). Our report addresses the expected needs of the City of San Diego as you continue your transition to Council-Mayor form of governance. Over the last month, our team has conducted both academic and anecdotal research, assessing cities throughout the country that our methodology suggests have budget structures and experiences that would be applicable to San Diego in this transition.

The following report describes in greater detail the methodology we conducted; case studies or "portfolios" of cities that have undergone similar transitions and implemented varied independent budget analysts; and considerations for San Diego based upon a comparative analysis of this research.

Our report is organized into five primary sections:

- I. Considerations
  - A. Independent Budget Analyst Office
    - 1. Scope of work;
    - 2. Staff size;
    - 3. In-house versus contract;
    - 4. Expected operating budget; and
    - 5. Communications
- II. Methodology
  - A. General; and
  - B. City specific
    - 1. Detroit;
    - 2. Indianapolis;
    - 3. Jacksonville;
    - 4. Kansas City;
    - 5. Los Angeles; and
    - 6. San Francisco
- III. Comparative Analysis
  - A. Organizational structure;
  - B. Scope of work; and
  - C. Budget
- IV. Portfolios
  - A. Detroit;
  - B. Jacksonville;
  - C. Indianapolis;
  - D. Kansas City;
  - E. Los Angeles; and
  - F. San Francisco
- V. Conclusion

## **I. CONSIDERATIONS**

### **A. INDEPENDENT BUDGET ANALYST OFFICE**

There were many factors we considered when researching and preparing this report. Below are some specific points to consider when choosing the right IBA office for the Council and City of San Diego:

#### **1. SCOPE OF WORK**

- Forecasts have the most potential impact on budget analysis;
- There is a tradeoff in how independent the IBA is: the more independence the analysts have, the more likely they are to come up with accurate fiscal analysis, but this may also make the analysts less likely to take the needs and concerns of the Council into consideration when making recommendations;
- The more people who have control over the IBA the more potentially diverse needs may be met, but this may unduly burden and confuse the IBA in terms of work priorities;
- Selective or automatic legislation review for fiscal impact; and
- Audits require increased staff size and monetary requirements

#### **2. STAFF SIZE**

- There is direct correlation between staff size, and output from the IBA (including the number of ordinances analyzed, number of special reports completed and the depth and range of analysis);
- Staff must be adept at forecasting;
- Staff experience; and
- Joint or separate offices for budget and legislative analysts

#### **3. IN-HOUSE VERSUS CONTRACT**

- The two contracted budget analyst offices we reviewed were the least and most expensive operating budgets of our selection of cities;
- Time and investment to hire contractor(s), particularly on annual basis;
- Official RFP process for contracting out;
- Length of contract with one firm; and
- In-house staff is usually more familiar with Council processes and needs

#### **4. EXPECTED OPERATING BUDGET**

- Staff salaries and benefits are primary cost in IBA budget;
- Forecast initial capital investment (new office space, products, etc.);
- Direct corollary between scope of work and operating budget; and

- Cities vary widely in the amount of funds that they allocate to the operation of the IBA office. The differences reflect variations in staff size and responsibilities

Measuring Outcomes	Detroit	Indianapolis	Jacksonville	Kansas City	Los Angeles	San Francisco
2004-05 Budget	\$.7 million	\$.08 million	\$1.7 million	\$1.2 million	LA does not itemize the City Council budget, the Council's budget is \$21-22 million	\$2 million

## 5. COMMUNICATIONS

We strongly feel it is imperative that the Council immediately begin conducting a professional public outreach and communications strategy. Something that became clear in our research of the Independent Budget Analyst position was how strengthened the Council's position became when the public's confidence was high in the independence, integrity and transparency of the IBA office. In San Diego, the public's first impression of the transition process is forming right now. It is the right time to be engaging them and winning support—not just for the IBA component—but for the transition process itself.

We recommend conducting outreach efforts to the community at large and to the community's key stakeholders—both projecting what we are doing in terms of researching potential ways to structure the IBA office and getting their input. Winning the support of respected community leaders and organizations and building a coalition of support will help make this process the success that it can be. We should also be in regular communications with them via email or website to make sure they understand the progress that is being made. We suggest each Council member send an email to their mailing list alerting people to the meeting date/time when the Council plans to vote on the IBA and encouraging constituents to listen to the meeting, via cable, internet or in person.

Additionally, as a way of maintaining public support, we recommend an aggressive media communications strategy. We can help draft core messages and ways to talk about the transition to a Council-Mayor form of government that will enhance the ability to win public support. One simple change in the way this is talked about it is to start calling this a transition to a "Council-Mayor" form of government. In the standard parlance of municipal governments, there is no such thing as a "Strong Mayor". A San Diego Council that wants to establish future leverage vis-à-vis the executive should begin by using language that places itself where it belongs: prior to the executive.

We would like to work with individual Council members and other key coalition members to speak out in targeted ways to the local media. Specifically, several

Councilors could sign their name to an Op-Ed stressing the importance of public input during the transition process, with a specific appeal to become involved in the hearing to debate the IBA because it will become such a critical component of the city's newly structured government. We should offer television stations and news radio shows additional Councilors for interviews, again, to stress the importance of public participation in this process. We should also reach out to the *Reader* and Voice of San Diego.

We recognize the talents that exist in the staffs of city Council members, and the contributions of the dedicated individuals serving on the Ad-Hoc Citizens Committee and look forward to working together on this communications strategy.

## **II. METHODOLOGY**

### **A. GENERAL**

Most large U.S. cities have budgeting offices that prepare the annual city budget. The number of cities that have independent analysts who report solely to the city Council is much smaller. In order to determine the range of options available to San Diego, we collected data on cities that have comparable demographic and institutional structures. We went about this process in two ways. First, we identified cities that have independent budget analysts by analyzing academic sources and interviewing seasoned practitioners. Next, we researched the government structure of the ten largest cities in the United States. From these combined lists we selected six cities to analyze in depth: Detroit, Indianapolis, Jacksonville, Kansas City, Los Angeles and San Francisco.

We used the following city criteria to narrow this search:

1. Population and economic diversity comparable to San Diego;
2. Budget analyst options that ranged in structure and price; and,
3. Institutional settings that reflected San Diego's new charter

A number of cities were eliminated from in-depth analysis due to these criteria. For instance, we eliminated New York as a case study because its budget analyst serves city residents rather than the City Council.<sup>1</sup>

The three tables below detail the specific data we analyzed in determining example cities to review.

### **Demographic Comparison**

Year: 2000

Source: United States Bureau of the Census

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<sup>1</sup> We can provide more information on New York and other cities we did not pursue, upon request

	Population	% White	% Latino	% African American	% Asian	Median Age	Median Household Income
San Diego	1,223,400	60.2	25.4	7.9	13.6	32.5	\$45,733
Detroit	951,270	12.3	5.0	81.6	1.0	30.9	\$29,526
Indianapolis	781,870	69.1	3.9	25.5	1.4	33.5	\$40,051
Jacksonville	735,617	64.5	4.2	29.0	2.8	33.8	\$40,316
Kansas City	441,545	60.7	6.9	31.2	1.9	34.0	\$37,198
Los Angeles	3,694,820	46.9	46.5	11.2	10.0	31.6	\$36,687
New York	8,008,278	44.7	27.0	26.6	9.8	34.2	\$38,293
Oakland	399,484	31.3	21.9	35.7	15.2	33.3	\$40,055
Pittsburgh	334,563	67.6	1.3	27.1	2.7	35.5	\$28,588
San Francisco	776,733	49.7	14.1	7.8	30.8	36.5	\$55,221
Seattle	563,374	70.1	5.3	8.4	13.1	35.4	\$45,736

Note: Six of the ten largest US cities do not appear on this list because they do not have an independent budget analyst office nor had Council-Manager charters. These cities include Houston, Philadelphia, Phoenix, San Antonio, Dallas, and San Jose.

### CITY FINANCE COMPARISON

Year: 1996-1997

Source: 2002 County City Data Book

	Total General Revenue (thousands)	Per Capita General Revenue	Total Taxes	Per Capita Taxes	Total General Expenditure (thousands)	Per Capita Total Expenditure
San Diego	\$1,420,848	\$1,870	\$442,684	\$370	\$1,529,193	\$1,278
Detroit	\$1,971,322	\$2,021	\$635,718	\$652	\$1,788,987	\$1,834
Indianapolis	\$1,187,803	\$1,597	\$520,689	\$700	\$1,222,878	\$1,644
Jacksonville	\$898,617	\$1,306	\$379,304	\$551	\$1,018,943	\$1,481
Kansas City	\$723,705	\$1,661	\$412,824	\$947	\$783,866	\$1,799
Los Angeles	\$4,706,326	\$1,320	\$1,988,838	\$558	\$4,935,452	\$1,385
New York	\$43,756,189	\$5,927	\$19,368,172	\$2,623	\$41,433,578	\$5,612
Oakland	\$700,872	\$1,914	\$240,389	\$656	\$786,921	\$2,149
Pittsburgh	\$483,814	\$1,402	\$247,412	\$717	\$493,928	\$1,431
San Francisco	\$3,480,314	\$4,697	\$1,079,961	\$1,457	\$3,594,316	\$4,851
Seattle	\$940,112	\$1,762	\$474,018	\$888	\$1,117,867	\$2,095

### CITY INDICATORS COMPARISON

Year:

1996-1997

Source: 2002 County City Data Book

	% of Total Expenditure Allocated to Various Categories					
	Police Protection	Solid Waste Management	Highways	Crime Rate 1999*	% Violent Crime	Unemployment Rate 2000
San Diego	13.0	31.3	6.5	4004	15%	3.0
Detroit	16.8	18.8	8.6	10416	22%	6.6

Indianapolis	8.3	7.6	5.2	5322	19%	3.0
Jacksonville	9.8	13	3.9	7152	14%	3.3
Kansas City	13.4	8.1	5.6	11631	15%	4.0
Los Angeles	18.1	11.3	3.1	4589	28%	6.1
New York	6.9	5.3	2.9	4032	26%	5.7
Oakland	12.6	2.3	4.5	8370	19%	4.7
Pittsburgh	12.9	4.9	6.8	6124	14%	4.1
San Francisco	7.8	4.2	1.2	5725	15%	2.8
Seattle	12.6	17.2	9.4	9165	8%	4.2

\*Per 100,000 resident population provided by the U.S. Federal Bureau of Investigation.

## **B. CITY SPECIFIC**

Below are the cities we chose to focus on based on our general methodology. For an immediate frame of reference, we have also highlighted San Diego.

### **SAN DIEGO**

With the recent charter change, San Diego will have a Council-Mayor structure, with 8 City Council members elected by district. Whites comprise the largest proportion (60%) of the city's 1.2 million residents. The city is 25% Hispanic, 8% African American and about 13% Asian/Pacific Islander. The city's revenues in 1996-97 totaled nearly \$1.4 billion, reflecting a per capita tax rate of about \$370. Additional statistics are displayed in the charts above.

#### **1. DETROIT**

Detroit has a Council-Mayor structure, with 9 City Council members elected at-large. The City Council has a Fiscal Analysis Division that provides independent fiscal evaluation solely to the City Council.

About 82% of Detroit's 950,000 residents are African American, with the remainder being nearly all white. The city's revenues in 1996-97 totaled nearly \$2 billion, reflecting a per capita tax rate of about \$650. Additional statistics are displayed in the charts above.

We selected Detroit because of its similar size and budget to San Diego as well as its established and relatively simple fiscal analysis division.

#### **2. INDIANAPOLIS**

Indianapolis' city government is consolidated with Marion County, the county in which it lies. The city-county has a Council-Mayor structure, with 29 City Council members. They have a mixed electoral system with 25 members elected by district and 4 elected at-large. The Council has the authority to hire a Budget Analyst to provide independent fiscal evaluation to the City Council.

About 70% of Indianapolis' 780,000 residents are white, with the remainder being nearly all African American. The city's revenues in 1996-97 totaled nearly \$1.1 billion, reflecting a per capita tax rate of about \$700. Additional statistics are displayed in the charts above.

Indianapolis has the smallest independent budget analyst operation of all of our cities. We include it to show the range of options available to San Diego.

### **3. JACKSONVILLE**

Jacksonville's city government is consolidated with Duval County. The city-county has a Council-Mayor structure, with 19 Council members. They have a mixed electoral system with 14 members elected by district and 5 elected at-large. The Council has its own Council Auditor's Office that provides independent auditing services and fiscal evaluation to the City Council.

Whites comprise the largest proportion (65%) of Jacksonville's 740,000 residents, with the remainder nearly all African American. The city's revenues in 1996-97 totaled nearly \$900 million, reflecting a per capita tax rate of about \$551. Additional statistics are displayed in the charts above.

We include Jacksonville in our analysis as an example of an extremely professionalized independent auditor with well defined responsibilities and goals.

### **4. KANSAS CITY**

Kansas City has a Council-Manager structure, with 13 City Council members, including the Mayor. They have a mixed electoral system with 6 members elected by district and 6 elected at-large. The Mayor is also elected at-large. The Council directs the City Auditor's Office, which is independent of both the manager and his staff.

About 61% of Kansas City's 440,000 residents are white, with the remainder being nearly all African American. The city's revenues in 1996-97 totaled about \$720 million, reflecting a per capita tax rate of about \$947. Additional statistics are displayed in the charts above.

Kansas City is included in our report because of the wide acclaim its independent auditor's office has among academics and financial practitioners. While it is defined as an auditing organization, this office also employs a substantial number of policy analysts. It is the only Council-Manager system that we chose to analyze.

### **5. LOS ANGELES**

Los Angeles has a Council-Mayor structure, with 15 City Council members elected by district. The Council has a Chief Legislative Analyst (CLA) that provides independent policy and budget evaluation solely and at the discretion of the Council.



Of Los Angeles' 3.7 million residents, 47% are white, 47% are Hispanic/Latino, 11% are African American and 10% are Asian/Pacific Islander. It is the most diverse city that we chose to analyze. The city's revenues in 1996-97 totaled about \$4 billion, reflecting a per capita tax rate of about \$558. Additional statistics are displayed in the charts above.

We include Los Angeles as an example of a city that's fiscal analysis is completed by an office that is equally (if not more) skilled at policy analysis.

## **6. SAN FRANCISCO**

San Francisco's city government is consolidated with San Francisco County. The city-county has a Council-Mayor structure, with 11 Board of Supervisor members, elected by district. The Board has the authority to hire a Budget Analyst to provide independent fiscal evaluation to the City Council.

Whites comprise the largest proportion (50%) of San Francisco's 770,000 residents. The city is 14% Hispanic/Latino, 8% African American and about 31% Asian/Pacific Islander. The city's revenues in 1996-97 totaled nearly \$3.5 billion, reflecting a per capita tax rate of about \$1,457. Additional statistics are displayed in the charts above.

We include San Francisco as an example of a city that contracts out its independent budget analyst.

## **III. COMPARATIVE ANALYSIS**

Our goal in this section is to provide you with a comprehensive, yet concise, comparison of each of the cities we reviewed. Our findings are reported below.

### **A. ORGANIZATIONAL STRUCTURE**

The organizational structure of IBA offices varies from city to city. The one consistency is that each city uses the budget analyst throughout the year, not just for the annual budget. You will note that IBA staff sizes vary significantly, due mostly to the range of services the office provides. Additionally, Los Angeles is the only city where the budget analysis is handled by the legislative analyst's office.

Function	Detroit	Indianapolis	Jacksonville	Kansas City	Los Angeles (CLA)	San Francisco
IBA Reports To:	Whole Council	Council President	Council, Council President, Committees, Council members (in that order); Council President resolves disputes	Budget and Audit Committee	Council, Council President, Committees, Council members	City Clerk, full Board and/or committee depending on context.
IBA take direction from? (This matters only to the extent that the duties of the office are loosely defined)	Whole Council	Council President and/or Committee Chairs	Council, Council President, Committees, Council members (in that order); Council President resolves disputes	Budget and Audit Committee	Council President	Whole Council, committees, all legislation referred to IBA to determine fiscal impact
IBA as resource throughout year?	Yes	Yes	Yes	Yes	Yes	Yes
Staffing	3 Analysts	1 Contract budget analyst	17 Auditors	15 Auditors	26 Analysts	Contracted out to Harvey M. Rose, CPA (joint venture with 4 other accountancy firms)
Staff Background	General finance accounting, economics degrees)	Ex-Controllers, Deputy Controllers	Director must be CPA or public accountant; Staff have accounting/auditing backgrounds	Advanced degrees in accounting, business administration, finance, law, psychology, public administration, social science	Four-year college degree minimum; majors range from business to political science and city planning; many staff members have advanced degrees	Accounting, economics, policy, political science
Skill-sets	Legislative fiscal impact, forecasting, revenue analysis, budgeting	Legislative fiscal impact, forecasting, revenue analysis, budgeting	Auditing, legislative fiscal impact, forecasting, revenue analysis, budgeting	Auditing, legislative fiscal impact, forecasting, revenue analysis, budgeting	Policy analysis, legislation summarization and tracking, motion drafting, budgeting, forecasting, revenue analysis, legislative fiscal impact	Legislation fiscal impact, forecasting, revenue analysis, auditing
Interaction among Council, Mayor and IBA	Works entirely on behalf of Council	Works entirely on behalf of Council	Works entirely on behalf of Council	Works entirely on behalf of Council	Works entirely on behalf of Council	Works entirely on behalf of the Board of Supervisors

## B. SCOPE OF WORK

Similar to the organizational structure, the scope of work for each budget analyst office varies by city. However, the most important function all of the budget analysts perform each year is reviewing the City's annual budget. The budget analysts for the cities identified below also analyze and report on legislation that may have fiscal impact.

Function	Detroit	Indianapolis	Jacksonville	Kansas City	Los Angeles	San Francisco
Review City's annual budget	Yes	Yes	Yes	Yes	Yes	Yes
Provide on-going budget analysis and management audit services, day to day on a year-round basis?	Yes (but no auditing services)	Not day to day	Yes (auditing first priority)	Yes	Yes	Yes
Analyze and report on all fiscal matters in legislation referred to Council?	Yes in practice but no formal requirement	By request	Yes	By request	Yes	Yes
Conduct Management audits?	No	No	Yes	Yes	No	Yes
Perform special fiscal analysis?	Yes	Yes	Yes	Yes	Yes	Yes
Attend each Council meeting?	Yes	No	Not required	Not required	Yes	Yes
Track revenues, expenditures, transfers and budget status on regular basis	Yes	By request	Yes	By request	Yes	Yes
Conduct public meetings or workshops to summarize issues for the public.	Only when requested by Councilmember	No	No	No	No	Participate in Board sponsored meetings or workshops

## C. BUDGET

The operating budget numbers were gathered from each cities most recent adopted budget.

Function	Detroit	Indianapolis	Jacksonville	Kansas City	Los Angeles	San Francisco
Range of Costs	FY 2004-05 Operations cost: \$729,191. 4.3% of City Council's total expenditures; .02% of total city expenditures	\$100/hour up to \$80,000/year. 4.5% of City County Council total expenditures; .01% of total city expenditures	FY 2004-05 Operations cost: \$1,728,354. 12% of City Council expenditures; .12% of total city expenditures	FY 2004-05 Operation Cost: \$1,218,384. 28% of City Council expenditures; .12% of total city expenditures	LA does not itemize the City Council budget, the Council's budget is \$21-22 million	FY 2004-05 Operations Cost: \$2,000,000. 23% of Board expenditures; .05% of total city expenditures

## **IV. PORTFOLIOS**

In our proposal to the City of San Diego, we spoke of providing you with portfolios on cities we determined to have comparable and/or noteworthy structures that could be useful in determining San Diego's new structure.

The portfolios detailed below are specific to the IBA. This budget-focused information will be folded into larger, more comprehensive portfolios that will include information from our other future projects, specifically an analysis of Council legislative aides and committee structures.

### **A. DETROIT**

Detroit has a Council-Mayor structure, with nine City Council members elected at-large by the city's 950,000 residents. The member of the City Council receiving the highest number of votes at the regular city general election becomes the president of the City Council for the ensuing four year term. Detroit's current city charter went into effect on July 1, 1974.

The Detroit City Council has five standing committees:

- 1) Budget and Finance;
- 2) Neighborhood and Community Services;
- 3) Human Resources;
- 4) Law and Public Safety; and,
- 5) Planning and Economic Development

The president of the Council appoints the chairpersons of each standing committee, with the approval of a majority of the City Council. The president is an ex-officio member of all committees, but is only a voting member as provided for any other Council person.

The Detroit City Council's version of an IBA is called the Fiscal Analysis Division. Specifically, the Fiscal Analysis Division provides independent fiscal evaluation solely and at the discretion of the Council. The City Council appoints a head Fiscal Analyst to lead this unit. The Fiscal Analyst, who is appointed by the City Council, reports to the entire Council, including individual members, with a Fiscal Analyst saying that he "basically has nine bosses".<sup>2</sup>

The current Fiscal Analysis Division has one chief analyst, Irvin Corley, Jr., three full-time staff and one full-time consultant assigned specifically to the office. It is likely that the consultant will become a permanent member of the Fiscal Analysis Division at the end of the 2005 cycle. There are no specific qualifications for the head Fiscal Analyst or his/her staff; however, in practice all staff members have general finance, accounting or economic degrees and a "good understanding of the budget process".<sup>3</sup> The 2004-05

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<sup>2</sup> Fiscal Analyst, City of Detroit

<sup>3</sup> Fiscal Analyst, City of Detroit.

fiscal year operations of this office cost \$729,191. This is 4.3% of the City Council's total expenditures and .02% of Detroit's total city expenditures.

The primary focus of the Fiscal Analysis Division is to provide the City Council with independent legislative fiscal advice. Specifically, the Fiscal Analysis Division performs a review of the Mayor's proposed Executive budget, which includes a review of each City department for the Council. The Division also makes recommendations to the City Council on various programs and objectives to be carried out in the annual fiscal budget year and conducts research on proposed changes in City, State and Federal public policy, which have a fiscal impact on the City of Detroit's budget.<sup>4</sup>

In addition to its routine projects, which include quarterly reviews of the Mayor's budget reports, the Fiscal Analyst can also be given specific projects by individual Council members. All legislation, economic development projects, administrative issues, etc., with a fiscal component are analyzed by the Fiscal Analyst's office as well. As part of his responsibilities, the Chief Fiscal Analyst must present at all Council meetings, which occur daily.<sup>5</sup> Generally, the Fiscal Analyst does not conduct public meetings or workshops to summarize issues for the public.

In addition to its Fiscal Analysis Division, the City Council also appoints an Auditor General to do a careful audit of the entire city's financial situation, including all city agencies. The Auditor General is considered "independent" and is appointed to one ten-year non-renewable term. The Council also appoints a separate Ombudsman to investigate complaints against city departments, make recommendations and work with city departments to find solutions. The Ombudsman, who is appointed to a ten-year non-renewable term, does not review the city's budget.

Detroit's general obligation bond ratings for 2005 are:

- Moody's: Baa1
- S&P: A-
- Fitch: A

The Detroit City Council developed its Fiscal Analysis Division in 1985 because it wanted to have an independent analysis of the budget separate from those offered by the Mayor's budget/finance departments. This division was modeled after the Michigan state legislature's independent fiscal office, which provides the legislature with objective analysis separate from the Governor's Office.<sup>6</sup>

We interviewed three individuals who have held key positions related to Detroit's budget process.<sup>7</sup> When asked their opinion as to the importance of having an independent

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<sup>4</sup> Fiscal Analysis Division website

<sup>5</sup> Detroit City Council, Rules of Conduct: <http://www3.ci.detroit.mi.us/legislative/CityCouncil/Default.htm>: "There shall be a meeting of the City Council sitting as a Committee of the Whole, at 9:45AM on every business day except during recesses called by the City Council."

<sup>6</sup> Fiscal Analyst, City of Detroit.

<sup>7</sup> Fiscal Analyst, City of Detroit; Detroit City Councilwoman; Budget Director, City of Detroit and former Auditor General under Mayor Coleman Young.

fiscal office that reports solely to the Council, they strongly supported this notion, with one saying, “to feel independent they [the Council] need their own people, their own fiscal office”.<sup>8</sup> The Budget Director also stated that because of the complexities of the budget process, he “likes having an outside consultant [Auditor General] that does this comprehensive review-it’s more objective”.

When asked how the Fiscal Analyst’s office interacts with the Mayor’s Budget office, the Fiscal Analyst said that while his style is to promote cooperation and collaboration with the Mayor’s budget office, of which he has daily contact with, sometimes it is important to assert that he is “the City Council’s advocate”. He also emphasized that his office tries to give as unbiased/objective reports as possible.

## **B. INDIANAPOLIS**

Indianapolis is a consolidated city-county government representing around 780,000 residents. Indianapolis has a Council-Mayor form of government, with twenty-nine elected representatives on the city-county council. Twenty-five of the councilors are elected from districts and four are elected at-large. In Indianapolis, individuals run under a party affiliation. The Council leadership is chosen by the majority party. There is a Council president and majority leader, as well as a minority leader. Indianapolis’ current city charter went into effect on January 1, 1970.

Indianapolis’ City Council has ten standing committees:

- 1) Municipal Corporations;
- 2) Administration and Finance;
- 3) Community Affairs;
- 4) Economic Development;
- 5) Metropolitan Development;
- 6) Committee on Committees;
- 7) Parks and Recreation;
- 8) Public Safety & Criminal Justice;
- 9) Public Works; and,
- 10) Rules and Public Policy

Indianapolis’ version of the IBA is a private sector consultant who enters into one-year contracts with the City Council. The Indianapolis city-county government (ICCG) calls that person the Chief Financial Officer (CFO). The CFO is appointed upon recommendation of the Committee on Rules and Public Policy and subject to approval by the entire Council. In essence, the CFO is hired by the majority party of the Council. The CFO is supervised by the president of the Council and can take direction from Council committee chairs in addition to the Council president. If chairs are asking for more than three hours worth of work, the request must be approved by the president. Typically, all requests go through the president.

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<sup>8</sup>Fiscal Analyst, City of Detroit

In principle, for an individual to become the CFO in Indianapolis, there is not a designated set of skills or certifications they must have. In practice, all individuals in recent history have been CPAs and most have worked in either the controller's office (the Mayor's IBA) or the auditor's office (the county executive's IBA).

The primary duties of the CFO are two-fold: one, to serve as the Council's "watch-dog" when the Mayor's office submits its budget for Council passage; and two, an agent to conduct fiscal analysis when a Councilor wants to pursue legislation that has a fiscal impact, and to report to the appropriate committee. These reports may include recommendations with regard to the additional appropriation. In budgetary terms, the CFO is on-call, paid \$100/hour with a statutory cap of \$80,000 per year. The Council has the authority to revisit this cap throughout the year and increase it if they so choose. The \$80,000 CFO cap represents 4.5% of the Council's total annual expenditures; and .01% of the total city expenditures.

Indianapolis' general obligation bond ratings in 2005 are as follows:

- Moody's - AAA
- S&P - AAA
- Fitch - AAA

We interviewed four city/county Councilors in Indianapolis. Three expressed satisfaction, although in one case it was more measured. A fourth Councilor expressed dissatisfaction, although only mildly. Even though the independent budget analyst is essentially hired by the majority party, and even though requests from individual Councilors must go through the Council president, people seem to think this structure works well. One Councilor noted of the way requests must be routed: "I don't think it's hampering anyone's ability" to pursue requests of the IBA<sup>9</sup>.

One Councilor noted that it works in Indianapolis because they have hired the right people. In this person's tenure, three of the four people had previously worked as a controller or deputy controller within the consolidated government. The theme he kept coming back to: "who you hire makes all the difference"<sup>10</sup>. One Councilor, noting that the city/county government doesn't spend, by comparison, as much as other jurisdictions on budgetary analysis, said, "you get what you pay for"<sup>11</sup>. We think this is an important distinction. The Indianapolis model opts for cost effectiveness, which could come at the expense of other outcomes, although there was very little dissatisfaction expressed by the Councilors.

When asked if this setup serves the public, all agreed that it did, generally for the same reasons as above. However, one person remarked that, because they are only part-time Councilors, the public is very served to have someone fulltime—and independent—committed to addressing budgetary issues<sup>12</sup>.

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<sup>9</sup> At Large Council Member, Indianapolis

<sup>10</sup> City Council Member, Indianapolis

<sup>11</sup> City Council Member, Indianapolis

<sup>12</sup> At Large Council Member, Indianapolis



## C. JACKSONVILLE

Jacksonville is a consolidated city-county government representing 735,000 residents. The city has a Council-Mayor form of government. The consolidated city-county Council is made up of 19 members, who are elected by district to four-year terms and serve as part-time legislators. The city is divided into 14 districts of nearly equal population and each of these districts elects a single Council member. The other five Council members represent the entire community "at large." The Council president is selected to a one-year term by a majority vote of the Council, and there are no term limits. Jacksonville's current city charter went into effect in 1968.

Jacksonville's City Council has eight standing committees:

- 1) Finance;
- 2) Public Health, Safety & Utilities;
- 3) Recreation & Community Development;
- 4) Transportation, Environment & Energy;
- 5) Land Use & Zoning;
- 6) Rules;
- 7) Government Performance, Audit, Technology & Education; and,
- 8) Military Affairs & International Development

Jacksonville's version of an IBA is called the Council Auditor's Office. The Council Auditor is appointed by a majority vote of the City Council. All of the employees in the auditor's office are appointees who serve at the discretion of the Council. There are no fixed terms. Removal of appointed positions is done by a majority of the City Council.

Any individual Council member or committee can make requests of the Council Auditor's Office; however, these requests are prioritized by the following order: (disputes are resolved by the Council president)

- 1) Charter requirements and requests by the Council as a whole;
- 2) Attendance at meetings of the Council and its standing and special committees, upon request;
- 3) Requests by the Council President;
- 4) Written requests from the chairmen of standing and special committees;
- 5) Written requests from members of the Council; and
- 6) Oral requests requiring minor effort

There are a total of 17 staff members in the Council Auditor's Office, headed by the Council Auditor, who must be a certified CPA or public accountant. There are three Assistant Council Auditors and 15 public accounts auditors at various levels—some full-time, some part-time. The total cost of the IBA, the Council Auditor's Office, is \$1,728,354, which represents 12% of Council expenditures; and .12% of total city expenditures.

One of the primary responsibilities of the Council Auditor's Office is to conduct continuous internal audits of the fiscal operations of the consolidated city county

government and all independent agencies. Financial transactions of every agency to which the Council makes appropriations is subject to audit by Council Auditor's Office. The office examines accounting systems used by all offices and departments of the consolidated government and all independent agencies.

The other primary responsibility of the Council Auditor's Office is to examine budget requests, financial legislation and major projects submitted for the City Council's approval. The office reviews all legislation before the finance committee and prepares a report on the Mayor's proposed budget.

The Council Auditor's Office handles its responsibilities in the following order:

- Performance audits
- Financial-related audits
- Follow up reviews
- Special reports
- Legislation review

Jacksonville carries no general obligation debt and its bonds Ratings in 2005 are as follows:

- Moody's: A3
- S&P: A+
- Fitch: AA

Both the Council's Chief of Research and its president noted in separate interviews that, when the Mayor has something important to sell to the Council, he must first sell it to the Council Auditor.

Members of the consolidated Council we spoke to expressed confidence in the "protective" nature of their IBA. The Council president said, "I've been on the Council for six years and my very best friends are the auditors. They show us the pitfalls of legislation that we couldn't see ourselves and before I do anything, I get briefed by them," she said.

#### **D. KANSAS CITY**

Kansas City, Missouri has a Council-Manager form of government, with thirteen City Council members representing roughly 440,000 residents. The city is divided into six Council districts. The Mayor and six City Council members are elected at-large, with one at-large Council member representing each district. The six remaining Council members are elected only by voters living in their districts. All Councilors are elected to four-year terms at the same time and they may only serve two consecutive terms. The Mayor serves as Council president. The current city charter went into effect on February 24, 1925.

Kansas City's City Council has seven standing committees:

- 1) Aviation;
- 2) Budget and Audit;
  - a) Reviews the auditor annually
- 3) Finance;
- 4) Legislative, Rules and Ethics;
- 5) Neighborhood Development and Housing;
- 6) Operations; and,
- 7) Planning, Zoning & Economic Development

The Mayor, as City Council president, appoints council committees, including members, chairs, and vice chairs.

Kansas City's version of an IBA is performed by the City Auditor's Office. The City Auditor is appointed by the City Council and has no fixed term of office. Statutorily, the City Auditor's Office is supervised by the Budget and Audit Committee, distributing memoranda to the Mayor, City Council, management staff and the city attorney. In practice, however, all Council-related direction is given through the Council's Budget and Audit Committee. The CAO is technically independent of the City Manager, but department directors can request assistance from the City Auditor's Office.

The City Auditor's Office employs fifteen auditors and five managing auditors. Most staff members have advanced degrees in accounting, business administration, finance, law, psychology or social science. The auditors work in teams with a manager staffing each team. Teams are ad hoc and determined based on work load, expertise and availability. Some staff are at will while others are covered by civil service, particularly if they came up through other civil service staffing positions within the jurisdiction. The total cost of the Auditor's office is \$1,218,384, which is .12% of total city expenditures. Occasionally the office hires consultants for specific projects. For instance, last year the City Auditor's Office paid \$50,454 in outside contracts.

There are seven primary responsibilities of the City Auditor's Office:

- 1) Performance audits;
- 2) Review and comment upon the Manager's proposed budget prior to adoption;
- 3) Research costs and other effects of proposed legislation as requested by individual Council members;
- 4) Provide assessments of financial information and other proposals by city management at the request of Council;
- 5) Report on the results of a government assessment of boards and commissions;
- 6) Review the financial audit and internal control reports of those agencies that receive at least \$100,000 in city funding annually; and
- 7) Maintain Audit Report Tracking System – tracks the implementation of audit report recommendations

Evaluating the efficiency, effectiveness and equity with which city departments carry out their financial, management and program responsibilities is one goal of the City Auditor's Office. The other primary goal is to assist the City Council and management staff in

carrying out their responsibilities by providing them with objective and timely information on the conduct of city operations.

The City Auditor is not required to be at Council meetings but does have floor privileges. The General Obligation Bond Rating for 2005 is as follows:

- Moody's: Aa3
- S&P: AA
- Fitch: AAA

## **E. LOS ANGELES**

Los Angeles has a Council-Mayor structure, with fifteen district-elected City Council members representing the city's 3.7 million residents. The Council elects one of its members as the presiding officer or President of the Council. Los Angeles transitioned to the Council-Mayor form of government when its latest charter took effect on July 1, 2000.

Los Angeles' City Council has fifteen standing committees:

- 1) Arts, Park, Health & Aging;
- 2) Audits & Governmental Efficiency;
- 3) Budget & Finance;
- 4) Commerce, Energy & Natural Resources;
- 5) Conventions, Tourism, Entertainment Industry & Business Enterprise;
- 6) Education & Neighborhoods;
- 7) Environmental Quality & Waste Management;
- 8) Housing, Community & Economic Development;
- 9) Information Technology & General Services;
- 10) Personnel;
- 11) Planning & Land Use Management
- 12) Public Safety
- 13) Public Works
- 14) Rules & Elections; and
- 15) Transportation

The Council President appoints each member as the chairperson of one committee and member of two others.<sup>13</sup>

Los Angeles' version of an IBA is called the Chief Legislative Analyst (CLA). Specifically, the CLA provides independent policy and budget evaluation solely and at the discretion of the Council. The CLA is appointed by and serves at the pleasure of the Council. The CLA reports to the entire Council as well as individual members and committees. Some Council members use the CLA's services more than others—it is entirely up to them.

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<sup>13</sup> <http://www.ci.la.ca.us/facts2.htm>

The CLA's office has about forty staff members, including twenty-five analysts. All analysts are at the will of the council. CLA analysts must have a minimum of a four-year college degree. Majors range greatly from business to political science and city planning. Many analysts have advanced public policy or professional degrees.<sup>14</sup> The CLA's office is seen as an extension of the Council and is included in its budget. The office was unable to disclose its specific budget, but we have determined that it spends between \$2-3 million of its \$21 million budget on the CLA. This averages out to be between 9.5 and 14.2% of the Council's budget.

The CLA's primary responsibilities are to evaluate the budget from a citywide perspective and to provide analytical support to Council members and staff on legislative matters. The number of specific reports the CLA's office produces vary greatly year to year; however, routine reports include briefing notes and analyses on issues before Council committee hearings; staffing the Council desk when the Council meets/assisting the clerk and City Attorney to ensure that meetings are running smoothly; and having a CLA staff analyst assigned to each Council committee. Each Councilmember also has at least one of their own staffers assigned to review the budget from the specific member's perspective.

Los Angeles' general obligation bond ratings for 2005 are:

- Moody's: Aa2
- S&P: AA
- Fitch: AA

## **F. SAN FRANCISCO**

San Francisco is a consolidated city-county form of government representing over 775,000 residents. San Francisco citizens are represented locally by eleven members of the Board of Supervisors and a Mayor. Each Supervisor represents a district in San Francisco and is elected by that district. The Mayor is the only city-official elected by city-wide vote. San Francisco instituted district elections in 2000, with Board members elected to four year terms, and elections staggered over every two years. San Francisco was a Strong Council/Manager form of government from 1932 until 1996, when it transitioned to a Council-Mayor form of government, because "there were too many amendments to the City Charter to make sense, we wanted to clean up and modernize our City Charter and the way we did business in City Hall"<sup>15</sup>.

The Board of Supervisors has six standing committees:

- 1) Budget and Finance;
- 2) City and School District Select Committee;
- 3) City Operations & Neighborhood Services;
- 4) Government Audit & Oversight;

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<sup>14</sup> LA's City Administrative Officer (CAO) works with the Mayor's office confidentially on writing the budget up until the time the budget is released to the Council/public. The CAO then advises the City Council on budget, essentially making himself available for feedback

<sup>15</sup> Former President, San Francisco Board of Supervisors

- 5) Land Use; and
- 6) Rules

San Francisco's IBA is performed by a private consulting company. Specifically, San Francisco's budget analyst is Harvey Rose, CPA and President of the Harvey Rose Accounting Firm. Rose was originally part of city staff in 1971 and moved to the private sector in 1975, changing his relationship with San Francisco City Hall as a contracted budget analyst.

The Budget Analyst contract must be certified annually by the Controller and the Board of Supervisors to assure that services are provided at a lower cost than if the work were performed by City employees. The BA has no fixed term and can be removed or replaced by a majority vote of the Board of Supervisors.<sup>16</sup> In addition, the BA reports to the City Clerk, full Board of Supervisors and/or committees depending on context. For example, the BA provides independent fiscal analyses, special studies and management audit reports on City departments and programs to the entire Board and at other times the BA reports recommendations to the Finance Committee.

The Harvey Rose accounting firm includes nine senior staff and a joint venture partnership with a number of firms pursuant to the Minority/Women/Local Business Enterprise Ordinance.<sup>17</sup> All staff members have a minimum four-year degree with common majors of accounting, economics, policy and/or political science. The total cost of operations in FY 2004-05 for the Budget and Legislative Analysts is \$2,289,268, 23% of the Board of Supervisors expenditures and .05% of total city expenditures.

The responsibilities of the BA are as follows<sup>18</sup>:

- 1) Review the City and County of San Francisco's proposed Annual Budget and report recommendations to the Board of Supervisors Finance and Labor Committee;
- 2) Analyze and report on:
  - a) all fiscal matters in legislation referred to the Board of Supervisors' Committees; and
  - b) when at least five days notice is given to the budget analyst, all fiscal matters in legislation considered by the full board without reference to committee;
- 3) Conduct management audits of City and County departments as requested by formal motion of the Board of Supervisors;
- 4) Perform special fiscal analyses as requested by formal motion of the Board;
- 5) Review and analyze, as necessary to perform services requested by the Board of Supervisors, all records of the City and County;

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<sup>16</sup> Two San Francisco Mayors took steps to try to fire Harvey Rose

<sup>17</sup> These firms include: Louie & Wong, LLP, Debra A. Newman and Associates, Stanton W. Jones and Associates and Rodriguez, Perez, Delgado, Certified Public Accountants:  
[http://www.sfgov.org/site/budanalyst\\_index.asp](http://www.sfgov.org/site/budanalyst_index.asp)

<sup>18</sup> [http://www.sfgov.org/site/budanalyst\\_index.asp](http://www.sfgov.org/site/budanalyst_index.asp)

- 6) Attend each full Board meeting and each meeting of the Boards Finance Committee and such other Committee meetings as necessary; and
- 7) Perform all other duties as requested by a committee of the Board concerning legislation pending before it or as requested by formal motion of the Board of Supervisors.

San Francisco also has a controller who has a very distinct set of responsibilities from the Budget Analyst. Specifically, the Controller is responsible for financial systems, procedures, internal controls and reports on the City's fiscal condition as well as conducting audits on departments and agencies<sup>19</sup>.

San Francisco's General Obligation Bond Rating for 2002 is as follows:

- Moody's: Aa3
- S&P: AA
- Fitch: AA

Because the long-standing relationship between Harvey Rose and San Francisco is unique compared with other cities, we researched and report below some pros and cons to this relationship:

#### Pros

- The Council does not need to be concerned with staffing requirements
- Some academic evidence suggests that having the same auditor over a long period of time lowers fees as learning takes place.<sup>20</sup>

#### Cons

- There is not a competitive process to the contract and academic evidence shows that cities that regularly solicit auditor bids pay lower fees.<sup>21</sup>

Additionally, the Harvey Rose firm maintains other clients, including other cities. In our outreach to recent and former Supervisors, there was overwhelming support for Rose, yet caution that Rose has close relationships with certain Supervisors over others and that may cause at time, a certain, if minimal, loss of objectivity.

## **V. CONCLUSION**

We hope you have found this report informative. We look forward to speaking with you in detail about our findings. As we continue to move forward with the transition, we look

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<sup>19</sup> [http://www.sfgov.org/site/controller\\_index.asp](http://www.sfgov.org/site/controller_index.asp)

<sup>20</sup> Simunic, D.A. "The Pricing of Audit Services: Theory and Evident," *Journal of Accounting Research* (Spring 1980), pp161-190

<sup>21</sup> Rubin, Marc. "Municipal Audit Fee Determinants," *The Accounting Review* (April 1988) pp. 219-236; DeAngelo, L.E. "Auditor Independence, Low-Balling and Disclosure Regulation," *Journal of Accounting and Economics* (August 1981), pp113-127

forward to your feedback on content, style and structure of our recommendations, so as to best serve you through the transition.